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# Consolidated capital stock tax returns

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ment to all parts of the organization, plans have been made whereby the manager of each office has been asked to appoint a representative to take charge of and be responsible for the professional training work in the respective offices. Such representatives will be assembled at the Executive Offices on June first and instructed during a period of two to three weeks in their duties. Comprehended in subsequent work of such representatives will be the conduct

of courses of study prescribed for the various classes of accountants, which will be issued by the department in the form of weekly lectures from September to December.

Thus it is hoped not only to provide educational work of interest and benefit for every member of the staff but the instrumentalities for keeping pace effectively with a rapidly expanding organization and increasing practice.

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## Consolidated Capital Stock Tax Returns

**R**EPRESENTATIVES of the Treasury Department at Washington, in passing on a case recently, wherein separate capital stock tax returns had been filed for the respective companies in a certain group, basing the values on an apportionment of the market value of the stock of the parent company, objected to such procedure but made clear the present position of the department in such cases substantially as follows:

1. That separate capital stock tax returns will be required for each company, regardless of affiliations;

2. That only in rare and exceptional cases will the use of a consolidated report as a basis for arriving at the values of separate companies be permitted;

3. That the parent company will be taxed on the market value of its stock if there is a market, or on the book value or capitalized earnings if there is no market;

4. That the subsidiaries will be taxed on the book value of their stock;

5. That the department will not attempt to tax both the parent company and the subsidiary companies on their capitalized earnings, admitting that such taxation would be unjust;

6. That the question of consolidated

returns, and separate returns based on a consolidated report has been discussed thoroughly by the department in many other instances during the last year and that the position of the department has been uniform in permitting no consolidations and no separate reports based on a consolidation;

7. That the Solicitor for the Treasury Department has furnished an opinion in this matter and in such opinion has stated that the law will not permit the use of a consolidated return nor a return based on a consolidated report, that he will not countenance any administrative attempt to permit such reports, and that the taxation of the parent company and the subsidiary companies, as separate entities, is not double taxation.

8. That it is not the intention of the department to amend the regulations so as to permit consolidated returns but on the contrary to so amend them as to prevent any possibility of such returns being filed.

In view of the above it appears that if a corporation having subsidiaries desires relief in such cases from what amounts to double taxation, it will be necessary to bring suit for the recovery of any tax levied under this ruling.